

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 10, 2003

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Aidan Moore, Chief of Enforcement; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Brian Law, President of Law Warehouses; Al Picconi, United Beverages, Inc.

EXCUSED: Chairman Anthony Maiola.

Certificates of Appreciation were presented to Chris Vassillion, System Development Specialist II, and Patricia Levan, Data Control Supervisor, for their diligence and assistance in diverting a potentially costly situation to the Commission.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending September 7, 2003 indicates retail sales were up 11.93%, on-premise sales were up almost 11.4%, off-premise sales were up 46.58%, and total aggregate sales were up about 15.7%. The traffic count increased by 6,115, as did the average sales ticket by \$.37.

The W-1 Total Weekly Sales Report for the same week shows total sales were up 15.7% or \$902,414 for the week, as they were for the year by 9.7% or \$6,929,594. Wine sales were up 22.4% or \$530,374 for the week, and were also up 10.44% or \$3,200,742 for the year. Sales of spirits increased 11% or \$372,040 for the week, and also increased year-to-date by 9.14% or \$3,728,852.

B. Budget Reports:

Regarding depletions and post-offs, Craig said he would continue to track the status of several outstanding balances.

There was nothing of significance to report regarding gift cards or workmen's compensation this week.

The Governor's Efficiency Committee met last Thursday, at which Michael Hickey indicated several priorities: facilities management, fleet management and personnel. Yesterday, several Commission staff members and Andrew Livernois from the Attorney General's Office visited the National Guard Armory in Nashua. The Commission will recommend to the Governor that this location would not be suitable for a new store.

Craig was notified by Sarah Willingham that the Enforcement subunit has settled on a number of issues. They are asking for: 1) setting up training meetings controlled by the Chief; 2) updated copies of the MV code and criminal code; 3) essential equipment; 4) clothing allowance of \$500.00. These requests have been agreed upon by the Commission.

The W-6 Expense Budget Activity Variance Report shows the year to be at about 19% expended, with total agency expenditures at around 17.9%. A couple of accounts will be watched closely, including Class 50, which George thinks is manageable. Now that there is a budget, he asked the Commission to consider what percentage of the lapse they want to set aside.

The auditors are now upstairs, and will probably be there for about a week.

The year-end reports should be made available to the advertising agency and StateWays fairly quickly.

Accounting is preparing for the second “wave” of bank consolidations from the Bank of New Hampshire.

C. Law Warehouse Rate Adjustment Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a rate adjustment recommended by Brian Law of Law Warehouses and rescind the addendum to the contract between the Liquor Commission and Law Warehouse dated October 10, 2002 which would in effect revert prices and stock back to the original contract, with all on-premise licensee orders continuing to be filled by Law, and with no other policy changes. The motion was unanimously adopted.

2) IT Reports

The new PALS payroll system is now in the early stages of implementation. The structure appears to be solid, with just a few cosmetic changes needed. These should be taken care of in a week or so.

There have been some duplicate credit card problems. ACR has committed to a change on their side to help alleviate the situation.

Yesterday a meeting took place with OIT staff regarding RiTA. The box will be re-worked but, in the meantime, work will be done on the Dell box.

Representatives from Telzon are coming in next week to speak about potential products. Commissioner Byrne felt the priority issue was to be ready for inventory. Howard said he believed everything could be ready right after

Christmas. Commissioner Byrne asked that a report be provided every several weeks regarding this.

Carol Andersen is in the process of creating a data base structure for gross profits.

This coming Friday morning Howard and Craig will be over at OIT to give a presentation on the IT plan.

Some back-up problems have occurred at Dell on both the technical and sales sides.

Commissioner Byrne asked when the alternate operations site at Law Warehouse would be operational. Craig replied that arrangements are being made and are on track; Howard said that the system would probably be ready by February.

Craig asked that he continue to receive all travel requests for any and all out-of-state travel. This will provide protection in the event there are changes in policy and will ensure that funds are budgeted to cover them.

Craig mentioned that a situation arose in which there was no indication as to had written a particular document. It was moved by Commissioner Byrne, seconded by Commissioner Russell, that a policy be enacted whereby all typed communication contain a notation at the end showing who typed it and the drive and folder in which it can be retrieved. The motion was unanimously adopted.

II. MARKETING & SALES REPORTS

1. Store Operations

Total retail store sales for the week ending 9/7/03 were up 11.32% or \$546,494.44. Peter noted that 22% of sales occurred on Sunday. There was a good increase at Store #38 Portsmouth, and Store #48 Hinsdale was up dramatically.

Peter also mentioned the following: Work is continuing on Supervisor/Manager re-assignments. Stores are also working through the payroll changes initiated by the new system. In addition, this week is the first of the cooperative training initiatives. Over 100 employees attended the Summer Splash outing at the Eagle Pond Lodge in Danbury.

2. Purchasing Report

John Bunnell reported there are still problems with some items. It is expected that Bombay Gin, which has been out of stock for several days, will be received today. However, Finlandia Vodka is still unavailable.

3. Merchandising Report:

A. SPIRITS:

1) Revised Spirit Gross Profit Guideline:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve new gross profit requirements, incorporating suggestions from local brokers, to become effective January 1, 2004. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Balvenie Founders Reserve Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./William Grant & Sons for a new test market listing for Balvenie Founders Reserve 10 Year Old Single Malt Scotch, 750ML size (assigned Code #2986), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Ardberg 10-Year Old Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown Forman Spirits for a new test market listing for Ardbeg 10-Year Old Single Malt Scotch, 750ML size (assigned Code #2965), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Bols Sour Apple Schnapps):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./William Grant & Sons for a new test market listing for Bols Sour Apple Schnapps, 750ML size (assigned Code #2986), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Request (Bacardi Party Drink Hurricane and Bacardi Party Drink Bahama Mama):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for a line extension for Bacardi Party Drink Hurricane, 1.75L size (assigned Code #5231) and Bacardi Party Drink Bahama Mama, 1.75L size (assigned Code #5230), as each brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Consumer Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands to conduct a consumer sweepstakes (10 Uniflame patio heaters) in conjunction with the promotion of Code #5027, 99 Apples, Code #5897, 99 Bananas and Code #5599, 99 Blackberry schnapps during October 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (general distribution – 4 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve general distribution of the following four (4) 750ML size wine codes, each of which has earned at least \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #37404, Chardonnay Black Swan Australia; Code #37408,

Shiraz Black Swan Australia; Code #34393, Gewurztraminer Valckenberg Pfalz; and Code #37158, Malbeck Montes RSV Colchagua. The motion was unanimously adopted.

- 2) Special Offers for November 2003 (4 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of four (4) wine items, to be featured on sale during November 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Stock Vermouth Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. to conduct a Stock Vermouth Sweepstakes (gift card prizes) during October 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Purchase & Distribution of Ravenswood Cabernet:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. for the purchase and distribution of Code #38850, Ravenswood Vintners Blend Cabernet Sauvignon, 750ML size, to be featured on sale during November and December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Recommended Wine Specialty Products (28 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-eight (28) wine codes to be designated as wine specialty products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Primary Source Submissions (13 items – exclusive agent; 30 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of thirteen (13) wine codes which

are not from primary source, but are offered by the exclusive marketing agent, and thirty (30) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve previously reviewed requests for bailment releases/transfers dated September 4 through September 10, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford